

**A response from the Council of Ombudsman Services to the
Consumer Focus consultation:**

Measuring Energy Supplier Performance

March 2010

Ombudsman Services
Wilderspool Park
Greenall's Avenue
Warrington. WA4 6HL

A response from the Council of Ombudsman Services to the Consumer Focus consultation: **Measuring Energy Supplier Performance**

Introduction

Ombudsman Services is a not-for-profit private limited company which runs four high profile national, private sector ombudsman schemes. These are Otelo (the Office of the Telecommunications Ombudsman), the Energy Ombudsman, the Surveyors Ombudsman Service and the Ombudsman for PRS for Music.

We are an independent, service-oriented organisation which, through the different services we run, helps our members to meet requirements to provide independent dispute resolution to their customers. Each scheme is funded entirely by its members. Our aim is to raise public trust and confidence in the sectors it works with.

Responses to consultation questions:

Q1 OMBUDSMAN SERVICES believes that the fundamental measure of a company's performance in resolving customer complaints is the percentage of primary complaints (i.e. those made to the company or, if customers go to Consumer Direct (CD) or Consumer Focus (CF), then the direct referrals) that are resolved within a short period, say one or two days and certainly less than five days. There are, of course, qualifications to this general view which relate to the completion of actions that will naturally take longer than this short period, such as arranging a meter reading or changing a meter.

Secondary measures are the extent to which customers need to wait longer to get the company's attention or to go to other organisations for help in contacting a supplier to get the complaint addressed (this includes the situation in which the customer and supplier have "agreed to differ" and an Alternative Dispute Resolution (ADR) scheme has been accessed). Tertiary measures are those where the customer has demonstrably had considerable difficulty in contacting the supplier in order to get a hearing.

Hence, the categories illustrated in the Consultation which fall into these three areas are:-

- (i) 1.1 and 1.5 (assuming that the supplier is aware of the customer's vulnerability);
- (ii) 1.2, 1.3 and 1.6;
- (iii) 1.4 (unless the customer has been advised previously to (say) go to the ADR scheme).

We also believe that a ratio of complaint numbers to customer base/transactions appear to be a widely-used quantitative measures.

For our response to Q1.6, please see the answer to Q2.

Q2 OMBUDSMAN SERVICES agrees that there should be a higher weighting depending on the time taken to get the supplier's attention and for the complaint to be fully addressed. The preamble to Q2 includes a value-judgement about the

“seriousness” of the complaint, which is intrinsically difficult to measure objectively.

As examples of greater “seriousness”, the preamble gives those disputes that involve the Extra Help Unit (EHU) and the Ombudsman but their objective weighting should depend on, for instance, whether the supplier actually knew about a customer’s vulnerability before the complaint became protracted or whether an Ombudsman complaint was (a) previously ignored by the supplier or considered but deadlocked and (b) the failure to agree on a resolution was the supplier’s or customer’s fault or intransigence. In most objective views, the degree of “seriousness” relates, on the one hand, to the (at times) life or death situation of a vulnerable person who is cut-off in the middle of winter or, on the other hand, a long-running dispute about (say) a relatively modest alleged debt that the customer doesn’t agree with.

The two notions of seriousness seem to be conflated into one category that, in effect, means a more or less extensive delay in resolution. [Table Re Q2]

Q3a In order to measure parameters related to Qs 1 and 2, the proposed survey must be based on customers who have complained and their identities can only derive from the suppliers or the ADR scheme. OMBUDSMAN SERVICES has found that, in general, customers appear reluctant to engage in another organisation’s satisfaction survey. Any survey that is not based on such actual complainants can only provide generalised information about consumers’ satisfaction with whatever aspect of the suppliers’ performance they have come into contact with – usually only the high-profile stuff like pricing, billing and transfers.

We also note that surveys of this type make it very difficult to separate views about how complaints were handled from the outcomes, leading to potentially skewed findings.

Unless Consumer Focus intends to create a survey that examines a different set of consumer responses from those collected by Which? and Ofgem, then a fresh survey would appear to be a waste of resources.

We have no view about who should fund such surveys, considering that debate concerns Consumer Focus and the industry.

Q3b It seems to us that only surveys that lead to a comprehensive picture of consumers’ experiences would be useful to Consumer Focus, which means that they need to concentrate on both positive (i.e. what the suppliers have done right) as well as negative (what has gone wrong) factors. Despite the “Big Six” providing more than 99% of all supplies and network connections (to the domestic market), it is important for both fairness and coverage to include the small, independent suppliers and networks in the survey(s).

Q4 The ombudsman service is positioned at the top of the complaints pyramid and can only handle complaints where the company has failed to resolve a complaint within its own procedures or has not resolved it within a reasonable timescale. It does not however follow that the company which has the least number of ombudsman complaints is the best performing.

- Q5a Where feasible, precisely the same statistical data on all of the major and minor participants in the energy sector need to be collected and presented, in order to provide an accurate set of information to all parties – most particularly domestic consumers as they, generally, have fewer research and comparative resources than micro-businesses. Just as the performances of each of the “Big Six” can be separated, then it seems reasonable for the data on the independents to be separated from the majors.
- Q5b As noted in Q5a, micro-businesses tend to have more resources to research supply alternatives than individual consumers but they also have more complicating factors. It is well-known that there is a wealth of tariffs available to domestic consumers but businesses also have the possibility of negotiating individual contracts with the suppliers, which can add substantially to the complexity of their decision-making. Micro-businesses also have less protection than domestic consumers, for example, there is no equivalent to the Energy Retail Association’s (ERA’s) Code of Practice for Accurate Bills. Without a detailed understanding of what data small businesses need in order to make their decisions, we can only recommend that Consumer Focus takes the advice of bodies such as the Federation of Small Businesses concerning the information required.
- Q6 We have no expertise in this area but it our opinion that performance information must be placed in clear context with for example, the percentage of customers each company has. League tables have previously proved ineffective and inaccurate method of helping consumers to make informed decisions.
- Q7a This depends significantly on current market volatility but it is unlikely to be practicable to perform major surveys once a year. However, more restricted surveys can be carried out much more often but it is likely that quarterly publication/up-date is the maximum feasible frequency.
- Q7b OMBUDSMAN SERVICES suggests that, as a minimum, links to the information should be from the major contributors of the data - suppliers (provided that they agree), the ERA, the Energy Networks Association (ENA), the Energy Ombudsman, the principal consumer advice services (including, Citizens Advice, Citizens Advice Scotland, Age Concern, etc), Ofgem. Social media is being actively used for comparator information. It would be worthwhile exploring this as a communication tool.
- Q8 Consumer Focus needs to pay attention and check up on the Internet blogs dealing with unsuccessful customer complaints about various suppliers, (such data will be obviously skewed.)
- Q9 As complaints form such a relatively small fraction of the customer experience (for example, involvement with an Ombudsman will be a once in a lifetime experience (or less) for the vast majority of individuals). The most useful data is how the suppliers resolve the volume of primary contacts/complaints not the profiles of the most complex or protracted ones.

Table Re Q2

Parameters & Weightings*

Parameter	Weighting	Reason	Comment
No. Complaints Outstanding >5 days	5%	Minimal penalty	See note regarding time needed for some remedial actions
No. Complaints Outstanding >56 days	20%	No deadlock or 8-week letter	Additional penalty for failure to resolve or pass-on to ADR
No. CD referrals (a)	0%	Customer not previously complained to supplier	No penalty appropriate if customer not complained to supplier
No. CD Referrals (b)	10%	Customer previously complained to supplier >5 days previously	One registered complaint per account-holder
No. CD Repeat Referrals	20%	Customer previously complained to supplier >20 days previously	One registered complaint per account-holder
No. EHU Cases (a)	5%	Supplier not informed of customer vulnerability	Supplier shouldn't be penalised for absence of information
No. EHU Cases (b)	50%	Supplier previously informed of customer vulnerability	Supplier knew but still did it
No. Ombudsman complaints inside terms of reference (ITOR) (a)	5%	Supplier deadlocked within 28 days	Supplier couldn't agree with customer but passed-on to ADR
No. Ombudsman ITORs (b)	15%	No deadlock issued	Probable failure intentionally to pass-on to ADR, causing delay
Customer Satisfaction Research	??	Depends on the results	Factors differ >80%; >60%; etc?

* Note There will be some customers who (for various reasons) attempt to go through several routes in parallel or series and suppliers should not be penalised for this, i.e. double or triple jeopardy is unfair.

Peter Holland CBE, DL



**Chairman
Ombudsman Services**

12 March 2010